



U.S.-CHINA ECONOMIC AND SECURITY
REVIEW COMMISSION

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**U.S. – CHINA COMMISSION CITES TROUBLING TRENDS FOR U.S. ECONOMIC AND
NATIONAL SECURITY INTERESTS**
Year-Long Study Offers Forty-four Recommendations
In Annual Report to Congress

WASHINGTON, DC (November 16, 2006) – Five years after China joined the World Trade Organization with a commitment to implement market-oriented reforms, it has fallen “woefully short” in fulfilling its promises, said Dr. Larry M. Wortzel, chairman of the U.S.-China Economic and Security Review Commission on Thursday. “While China is a global actor, its sense of responsibility has not kept up with its expanding power,” said Wortzel, who also cited the Chinese military’s “increasingly aggressive posture” toward Taiwan and its growing capabilities in the western Pacific ocean.

The Commission, a bipartisan group established by Congress to analyze and provide recommendations to Congress on the economic and national security relationship of the two nations, released its 2006 Report to Congress Thursday. The 234-page report, with 44 recommendations for Congressional action, was unanimously approved by the six Republican and six Democratic commissioners. The Commission held eight hearings, travelled to China, Hong Kong, and Taiwan, commissioned original research, and consulted with economic, intelligence, and military agencies to reach its conclusions.

The report acknowledges that China has passed laws and regulations to implement its obligations to the 149 other members of the WTO. China has also “achieved a remarkable economic transformation,” said Commission Vice Chairman Carolyn Bartholomew. But, she added, “it has also lagged in creating opportunities for its citizens to reach their full potential by continuing to violate basic human rights, workers rights, basic political freedoms, freedom of religion, and freedom of the press.”

The report is critical of China’s refusal to allow its currency, the renminbi, to fluctuate according to market conditions, terming it a price subsidy of up to 40 percent for Chinese exporters. The report also criticizes China for failing to control the “rampant” counterfeiting of goods, from movie DVDs to business software to often-substandard pharmaceuticals and automobile parts. The report recommends that Congress urge the Administration to bring complaints on currency manipulation and intellectual property piracy to the WTO. China is vulnerable to criticism for its willingness to enter into “unsavory partnerships with international outliers such as Iran, Burma, and Sudan” in pursuit of deals on oil and other natural resources, Bartholomew noted.

The report also raises alarms about the the growing dependence of the U.S. military on foreign parts—a growing number of them Chinese—for its major weapons and transporation systems. The report and its key findings, analysis, and recommendations to Congress will be available on the Commission’s Web Site, www.uscc.gov, early the week of November 20.

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